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IN THE

SUPREME COURT OF THE UNITED STATES

THE HOLMES GROUP, INC.,
Petitioner,

v.

VORNADO AIR CIRCULATION SYSTEMS, INC.,
Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE PATENT, TRADEMARK & COPYRIGHT SECTION OF THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA AS *AMICUS CURIÆ* IN SUPPORT OF THE RESPONDENTS

DAVID W. LONG
Counsel of Record
HOWREY SIMON ARNOLD & WHITE, LLP
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 783-0800

Attorney for Amicus Curiæ

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Questions Presented

1. Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction to decide appeals of final decisions of district courts in cases wherein the well-pleaded complaint of the prevailing plaintiff does not allege any claim arising under federal patent law?

2. Did the Court of Appeals for the Federal Circuit err in concluding that this action arises under federal patent law for purposes of 28 U.S.C. §§ 1295(a)(1) and 1338(a)?

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The Interest Of Amicus Curiæ[1]

The Bar Association of the District of Columbia ("BADC") is a non-profit organization with voluntary membership. Membership is not restricted to any segment of

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[1] This brief *amicus curiæ* is presented by the Bar Association of the District of Columbia under Rule 37.3 of this Court. No counsel for a party authored any part of this brief. Only *amicus curiæ* made a monetary contribution to the preparation and submission of this brief; counsel for *amicus curiæ* prepared this brief on a pro bono basis.

the profession and, thus, the members and their clients represent widely diverging interests and views. Members include attorneys in private practice as well as those employed by corporations and those in government.

The Patent, Trademark & Copyright Section of the BADC includes members of the bar regularly practicing in and interested in patent law. Members frequently represent patent applicants, patent owners, and accused patent infringers in various matters, including those before the United States Court of Appeals for the Federal Circuit ("the Federal Circuit"). Members are thus concerned with the procedure for obtaining Federal Circuit appellate review of cases involving patent law claims.

The BADC has no stake in either of the parties or the result of this case, other than an interest in seeking correct and consistent interpretation of intellectual property law. Both the Petitioner and the Respondent have consented to the BADC filing this brief.

Statement Of The Case

This case involves the question of whether (1) the Federal Circuit or (2) the regional circuit—*i.e.*, the Tenth Circuit—has appellate jurisdiction over an action in which the plaintiff's complaint does not plead any claim for relief arising under patent law, but the defendant files a counterclaim that includes a claim of patent infringement.

The complaint filed by the Petitioner, the Holmes Group, Inc. ("the Holmes Group"), includes a request for declaratory judgment that its products did not violate any trade dress of the Respondent, Vornado Air Circulation Systems, Inc. ("Vornado"). Vornado filed an answer and a counterclaim that the products at issue infringed Vornado's

patent. The district court entered a Rule 54(b) judgment on the trade dress issue in favor of the Holmes Group.

Vornado appealed that judgment to the Federal Circuit, asserting that the Federal Circuit had appellate jurisdiction under 28 U.S.C. § 1295(a)(1) based on the patent infringement claim in its counterclaim. The Federal Circuit accepted jurisdiction, vacated the judgment and remanded the case to the district court.

The Holmes Group filed a petition for certiorari seeking review by this Court whether the Federal Circuit had proper appellate jurisdiction to review the district court's judgment where the "well-pleaded" complaint itself did not include any claim for relief within the Federal Circuit's appellate jurisdiction.

Summary Of The Argument

Under the well-pleaded complaint rule, jurisdiction over an action is determined from the claims for relief raised in the pleadings, and not from the form of the specific pleadings themselves. Therefore, a claim for relief raised in a counterclaim should be considered when determining appellate jurisdiction. This is consistent with this Court's well-pleaded complaint jurisprudence. Prior decisions of this Court refer to the face of the plaintiff's complaint because, in each of those cases, the complaint was the only pleading that raised affirmative causes of action. But this Court has never held that jurisdiction cannot be based on a claim for relief contained in a counterclaim.

In this case, there is no dispute that a claim for relief raised in Vornado's counterclaim—i.e., a claim of patent infringement—falls squarely within the Federal Circuit's appellate jurisdiction. Therefore, the Federal Circuit has appellate jurisdiction over the entire action—including the

non-patent issues—just as it does in actions where a patent infringement claim is raised in the original complaint along with other non-patent issues.

Even if this Court determines that a claim for relief raised in a counterclaim should not be considered when determining appellate jurisdiction in *all* cases, this Court should make an exception for cases, such as this, where a claim for relief in the counterclaim arises under patent law and otherwise would be subject to review by the Federal Circuit. Congress took the extraordinary measure of creating the Federal Circuit with exclusive appellate jurisdiction over patent cases—even those that include non-patent claims—in order to ensure uniform application of patent laws so that patent rights would be stronger and more predictable. Thus, Congress has determined that the national interest in having the Federal Circuit review all actions that include patent claims substantially outweighs a particular litigant's or regional circuit's interests in having the regional circuit review a particular action, even if that action includes non-patent claims. Thus, both Congressional policy and judicial economy support Federal Circuit jurisdiction over an entire action if a claim for relief arising under patent law is raised in any pleading, whether in the complaint or a counterclaim.

Argument

I. A Claim For Relief Pled in a Counterclaim Should Be Considered When Determining Appellate Jurisdiction Under The Well-Pleaded Complaint Rule.

A. The well-pleaded complaint rule focuses on claims for relief and not the form of the pleadings *per se*.

The well-pleaded complaint rule is typically used to determine whether federal question jurisdiction exists over an action under 28 U.S.C. § 1331 based on the action "arising under the Constitution, laws, or treaties of the United States." In *Christianson*,[2] this Court referred to this § 1331 "arising under" jurisprudence to guide its decision on Federal Circuit jurisdiction based on 28 U.S.C. § 1338(a) for actions "arising under any Act of Congress relating to patents."[3] In *Christianson*, the plaintiff brought antitrust and state law claims against the defendant, who responded with a patent law defense.[4] This Court ultimately ruled that the Federal Circuit did not have appellate jurisdiction over the action under the well-pleaded complaint rule, because the patent law question was not one of the well-pleaded claims.[5]

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[2] *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 n.2 (1988).

[3] *Christianson*, 486 U.S. at 809 n.2.

[4] *Id.* at 805.

[5] *Id.* at 809.

The *Christianson* Court focused its jurisdictional inquiry on the claims of relief sought in the action. For example, the Court distinguished (1) the affirmative claims for relief, upon which jurisdiction may be based, and (2) mere defenses to those claims, upon which jurisdiction would not be based.[6] The Court also distinguished between claims for relief and the underlying theories that support the claims, stating that "[t]he well-pleaded complaint rule . . . focuses on claims, not theories."[7] The Court's inquiry looked beyond the actual wording of the pleading itself, stating that "a plaintiff may not defeat § 1338(a) jurisdiction by omitting to plead necessary patent-law questions."[8] In his concurrence, Justice Stevens also acknowledged that the well-pleaded complaint rule separates claims from issues and does so without limitation to the original complaint.[9]

In sum, the principal focus of the jurisdictional inquiry is on the claim for relief that the court is being asked to grant in order to determine whether that court properly has authority to grant it.

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[6] *Id.* at 808-809.

[7] *Id.* at 811.

[8] *Id.* at 809 n.3.

[9] *Id.* at 820 (J. Stevens, concurring).

B. A claim for relief in a counterclaim should be considered when determining jurisdiction.

A counterclaim asserts affirmative claims for relief,[10] and should be considered when determining whether a court has authority to grant the relief requested in the action. This Court has not decided whether claims for relief in a counterclaim should be considered in determining jurisdiction under either § 1331 "arising under" federal question actions in the regional circuits or § 1338 "arising under" patent actions in the Federal Circuit. But the Federal Circuit and several regional circuits have considered this issue and ruled that claims for relief in counterclaims should be considered when determining jurisdiction under the well-pleaded complaint rule.

In *Aerojet-General*,[11] the Federal Circuit ruled that a claim for relief of patent infringement in a counterclaim was a proper basis for § 1338 "arising under" jurisdiction. The Federal Circuit looked beyond the labels of "complaint" and "counterclaim" in determining what claims for relief were involved in the action, stating:

> [i]t would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of the pleading labeled "complaint" but not when the *identical* well-pleaded claim is

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[10] Fed. R. Civ. P. 13(a).

[11] *Aerojet-General Corp v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 742 (Fed. Cir. 1990).

the basis of a pleading labeled "counterclaim."[12]

At least two other circuits also have acknowledged the Federal Circuit's authority to base its jurisdiction on questions of patent law raised in a counterclaim.[13] And other circuits have relied on a counterclaim to support their own § 1331 "arising under" jurisdiction when the counterclaim presents an independent basis for jurisdiction.[14]

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[12] *Id.*

[13] *See Xeta Inc. v. Atex Inc.*, 825 F.2d 604, 607 (1st Cir. 1987), *transferred to*, 852 F.2d 1280 (Fed. Cir. 1988) (nonfrivolous patent counterclaim supports transfer of appellate jurisdiction to the Federal Circuit); *U.S. Valves Inc. v. Dray*, 190 F.3d 811, 813 n.6 (7th Cir. 1999) (the court's determination that the case arises under patent law "does not change when the possible basis for Federal Circuit jurisdiction resides in a counterclaim").

[14] *See Rengo Co. v. Molins Mach. Co.*, 657 F.2d 535, 539 (3rd Cir.), *cert. denied*, 454 U.S. 1055 (1981) (counterclaim supported federal jurisdiction despite jurisdictional defect in complaint); *Pioche Mines Consol., Inc. v. Fidelity-Philadelphia Trust Co.*, 206 F.2d 336, 336-37 (9th Cir.), *cert. denied*, 346 U.S. 899 (1953) (counterclaim supported federal jurisdiction despite court's dismissal of complaint); *Isenberg v. Biddle*, 125 F.2d 741, 743 (D.C. Cir. 1941) (counterclaim with independent jurisdictional basis "is sustainable without regard to ... the original complaint").

A few circuits have concluded that a counterclaim cannot be the basis for arising under jurisdiction.[15] But those conclusions erroneously relied on case law distinguishing claims and defenses without distinguishing claims in complaints and counterclaims. For example, the Fourth Circuit in *Cook* relied on this Court's opinion in *Gully v. First National Bank in Meridian*[16] to reject federal jurisdiction over the defendant's counterclaim,[17] but the *Gully* Court denied removal jurisdiction based on a *defense* and made no mention of a counterclaim.[18] Similarly, the Fifth Circuit's decision in *Walker* relied on *Rivet v. Regions Bank of Louisiana*[19] for the premise that "[t]here has never been a suggestion that a defendant could, by asserting an artful counterclaim, render a case removable in violation of

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[15] *See Cook v. Georgetown Steel Corp.*, 770 F.2d 1272, 1275 (4th Cir. 1985); *Texas v. Walker*, 142 F.3d 813, 816 n.2 (5th Cir. 1998); *Shannon v. Shannon*, 965 F.2d 542, 545-46 (7th Cir. 1992); *Takeda v. Northwestern Mut. Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985).

[16] 299 U.S. 109 (1936).

[17] *Cook*, 770 F.2d at 1275, citing *Gully*, 299 U.S. at 112.

[18] *See Gully*, 299 U.S. at 116-17. The Ninth Circuit's decision in *Takeda* also relied on its prior and erroneous interpretations of *Gully* and its progeny in concluding that "removability cannot be created by defendant pleading a counter-claim presenting a federal question." *Takeda*, 765 F.2d at 822, citing *Rath Packing Co. v. Becker*, 530 F.2d 1295, 1303 (9th Cir. 1975), *aff'd sub nom. Jones v. Rath Packing Co.*, 430 U.S. 519 (1977).

[19] 522 U.S. 470 (1998).

the well-pleaded complaint rule."[20] But the *Rivet* Court held only that the *defense* of federal-law claim preclusion does not support removal jurisdiction, and makes no mention of counterclaims.[21] And the Seventh Circuit's decision in *Shannon* relied on both *Takeda* and *Louisville & Nashville R. Co. v. Mottley*[22] for the premise that "a defense based on the United States Constitution or federal law does not make the suit removable, and neither does a counterclaim or other similar filing based on federal law."[23] But *Takeda* draws an erroneous inference regarding counterclaims from *Gully*, which did not consider counterclaims, and *Mottley* held only that an anticipated federal law defense did not transform a state-law complaint into a case arising under the United States Constitution.[24] Thus, in each instance where a regional circuit did not consider the counterclaim in determining jurisdiction, the circuit court narrowly interpreted the well-pleaded complaint rule to exclude counterclaims based on an overbroad and erroneous application of this Court's precedents.

Those narrow interpretations rely on the links this Court has historically made between the well-pleaded

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[20] *Walker*, 142 F.3d at 816, n.2.

[21] *Rivet*, 522 U.S. at 478.

[22] *Louisville & Nashville R. Co. v. Mottley*, 211 U.S. 149 (1961).

[23] *Shannon*, 965 F.2d at 545-46.

[24] *Mottley*, 211 U.S. at 153.

complaint rule and the formal complaint of the plaintiff.[25] As noted above, however, such links merely reflect the fact that those specific cases involved well-pleaded claims that appeared only in the plaintiff's complaint. This Court has not specifically interpreted the well-pleaded complaint rule to exclude well-pleaded claims in counterclaims from supplying the basis for "arising under" jurisdiction. Indeed, this Court has recognized that a counterclaim might provide an independent basis for jurisdiction under the correct circumstances.[26] In *Franchise Tax Board*, this Court considered whether a defendant's motion to dismiss the complaint might be treated as a counterclaim for a declaratory judgment "which might then provide an independent basis for reaching the merits of the ... case."[27]

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[25] *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983) ("a defendant may not remove a case to federal court unless the *plaintiff's* complaint establishes that the case 'arises under' federal law"); *Rivet*, 522 U.S. at 474, citing *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987) ("federal jurisdiction exists only when a federal question is presented on the face of the plaintiff's properly pleaded complaint"); *Gully*, 299 U.S. at 111 ("To bring a case within the statute, a right or immunity created by the Constitution or laws of the United States must be an element, and an essential one, of the plaintiff's cause of action"); *Christianson*, 486 U.S. at 809 ("jurisdiction ... extends over 'only those cases in which a well-pleaded complaint establishes either that federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law'").

[26] *Franchise Tax Board*, 463 U.S. at 22 n.24.

The Court ultimately did not reach that issue for other procedural reasons.[28]

II. Even if counterclaims are not typically considered under the well-pleaded complaint rule, they should be in determining Federal Circuit jurisdiction over patent claims.

Even if the well-pleaded complaint rule typically does not permit consideration of claims for relief pled in a counterclaim, this Court should make an exception for Federal Circuit jurisdiction over claims arising under patent law.

Congress created the Federal Circuit in the Federal Courts Improvement Act of 1982 based on the substantial need for uniform judicial development of federal patent law.[29] Congress determined that a centralized national court with exclusive appellate jurisdiction over patent-related cases was necessary "for ensuring a more uniform interpretation of the patent laws an thus contributing meaningfully and

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[27] *Id.*

[28] *Id.* (The defendant did not file an answer or a counterclaim, but allowed the district court to treat its motion to dismiss as a cross-motion for summary judgment. Therefore, this Court declined to construe the defendant's pleadings as a counterclaim.).

[29] Federal Courts Improvement Act, Pub. L. No. 97-164, 96 Stat. 25 (1982) (merging the Court of Customs and Patent Appeals with the United States Court of Claims to create the United States Court of Appeals for the Federal Circuit).

positively to predicting the strength of patents."[30] Thus, Congress specifically created the Federal Circuit to provide "a forum that will increase the doctrinal stability in the field of patent law," stating:

> [T]he Hruska Commission singled out patent law as an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. Furthermore, ... the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem. ... The creation of ... the Federal Circuit will produce desirable uniformity in this area of the law.[31]

Congress had a specific, express and national purpose when it created the Federal Circuit and granted it exclusive appellate jurisdiction over any action raising claims under the patent laws of the United States, even if the action includes other non-patent claims for relief.[32] Thus, Congress has determined that the national interest in having the Federal Circuit review all claims for relief arising under patent law outweighs any interest a particular litigant or regional circuit may have in having the regional circuit review even the non-

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[30] *Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 2414, Before the Subcomm. On Courts, Civil Liberties and the Admin. Of Justice of the House Comm. On the Judiciary*, 96th Cong., 2d Sess. 797 (1980).

[31] S. Rep. No. 97-275 (1982), *reprinted in* 1982 U.S.C.A.N.N. 15.

[32] *See* 28 U.S.C. §§ 1295(a)(1), 1338

patent issues raised in an action that includes patent claims. Thus, any ruling by this Court regarding the Federal Circuit's jurisdiction should give weight and deference to Congress' determination on this issue, as the Federal Circuit recognized in *Aerojet-General*:

> distinctions between complaints and counterclaims can be important in other contexts, but can have no meaningful role in governing the direction of the appeal under the unique statute that created this court when the counterclaim arises under the patent laws.[33]

In sum, if the Court concludes that claims for relief pled in a counterclaim generally are not considered in determining jurisdiction under the well-pleaded complaint rule, the Court should at least make an exception to such a rule where, as here, the counterclaim includes a claim for relief arising under the patent law, which should be reviewed by the Federal Circuit.

[33] *Aerojet* 895 F.2d at 742.

III. Conclusion

Amicus curiæ respectfully requests this Court to rule that the Federal Circuit has appellate jurisdiction over an action under 28 U.S.C. § 1331(a) and § 1295(a)(1) if a claim for relief arising under the patent law is pled in a counterclaim.

Respectfully submitted,

DAVID W. LONG
Counsel of Record
HOWREY SIMON ARNOLD & WHITE, LLP
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 783-0800

Attorney for Amicus Curiæ